

Dealer Support

a WIN-WIN PROPOSITION for the Security Industry

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ith dealer programs, both the buyer and the seller win. There are profits for the stockholders, income to invest in new product development, salaries and bonuses for employees, satisfaction that the purchased product was well designed and will be supported and a business environment where positive referral leads are the way of life.

The specific features of dealer support programs vary dramatically, but the one thing they all have in common is providing independent dealers the means to be competitive. There is not a function in a dealer's business that can't be supported, improved or reduced in cost by a dealer program. The services range from back-office support, financing, training and marketing to product availability at preferred prices.

There is also a variety of intangible services and value that ranges from

networking with other dealers and business advice and friendships to a pride in association with industry leaders. As competition increases and the industry matures, everyone in the supply chain realizes that they are a team (not adversaries), all serving the same customer. The teamwork approach is maturing, synergies are being realized and dealer programs, services and investments are growing.

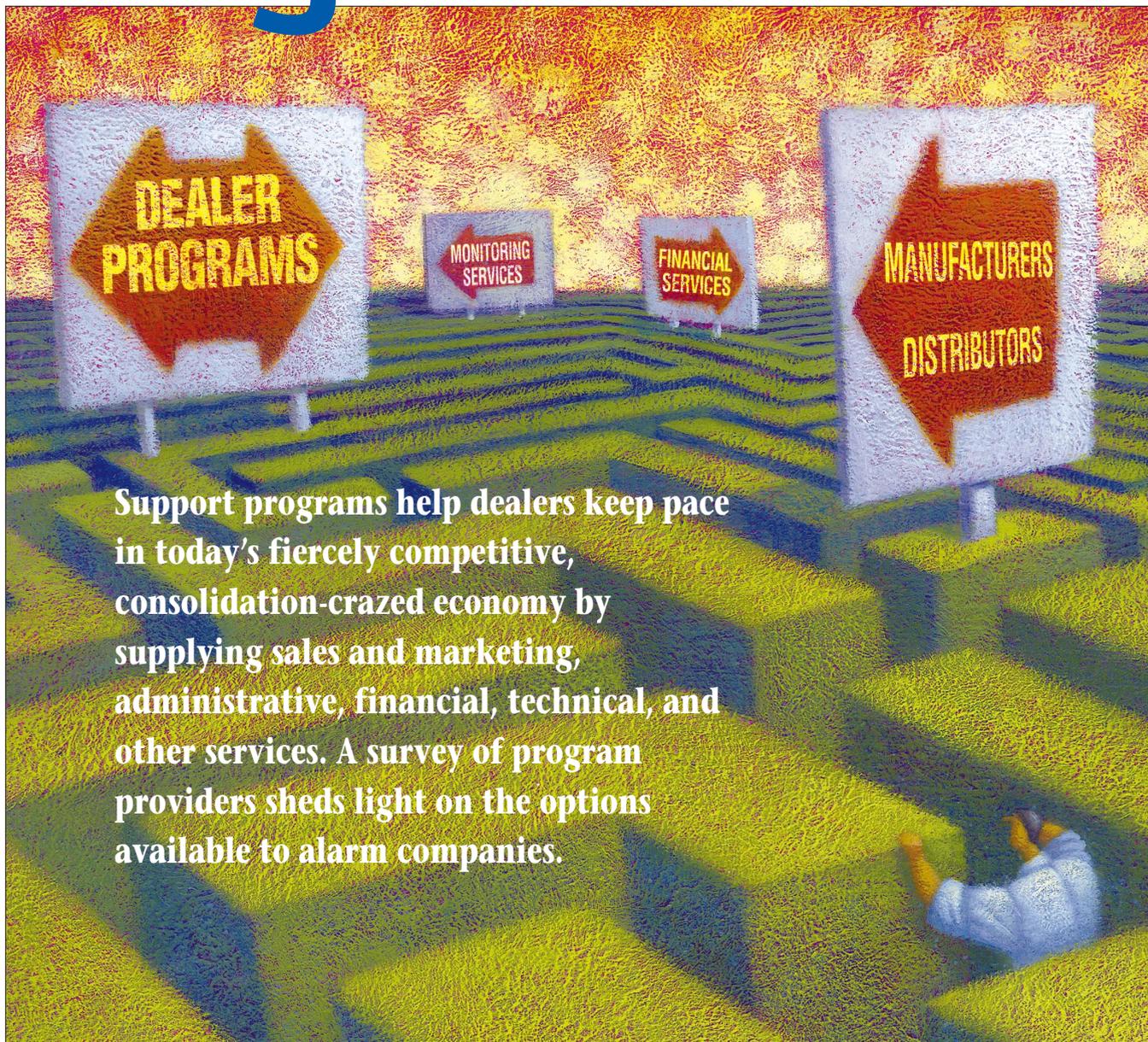
For dealers to obtain state-of-the-art products, they expect manufacturers to invest in research and development (R&D). The dealers must obtain financial support and marketing services, for they are the conduits from the end user to the suppliers. The entire concept is enabling dealers to do more with less — growing sales, staying up to date with technology and obtaining the funding needed to bring dreams to fruition.

Based on the latest survey and review of dealer programs conducted by Sandra Jones and Co. of Chardon, Ohio, and Kismet Group of Stillwater, Minn. (*see gatefold chart at end of article*), this material is intended to provide dealers with the tools to make an informed decision as well as give sellers access points from which dealers can choose the most appropriate dealer program.

Dealers Can Pick and Choose Services

To place the dealer program concept in perspective, consider the selection of a restaurant. There are national fast-food chain outlets. There are roadside locations that cater to the truck driver and the motorcycle trade. There are locations at airports, in shopping malls and on neighborhood street corners. There are ethnic specialty restaurants, steak houses,

Programs:



Support programs help dealers keep pace in today's fiercely competitive, consolidation-crazed economy by supplying sales and marketing, administrative, financial, technical, and other services. A survey of program providers sheds light on the options available to alarm companies.

and facilities specializing in pancakes and waffles.

The consumer (read dealer) can select based on appetite, location, menu, price, ambiance, advertised specialties or other criteria. Then, you can pay for your meal in cash, credit card or check. The restaurant (read seller) provides products and services and the consumer purchases those products and services based on

expectations. If the experience is positive and perceptions became reality, you will return to the restaurant again. You will let your friends know of your satisfaction. Thus, the restaurant prospers.

Dealer programs are similar. The basic elements are always the same, but the food selection, layout, style, portion sizes, server attitude and ambiance can create significantly differ-

ent results. So to you, the dealer, you have to decide what elements are most important, how much you want to pay and what you expect to get from the finished product.

Providers Gain Expanded Geographic Footprints

Let's consider the potential opportunities presented to the *seller* or *provider* of a dealer program and ser-

vice offering. What's in it for them? The seller may be a manufacturer, distributor, central station services provider, financial services resource or national dealer (mostly contract monitoring). They are providing products or services that need intermediate businesses and sales effort to bring to the attention (sell and service) of the end user or consumer. These intermediate businesses are *dealers*.

The seller is seeking to expand the use of its product or service line and increase sales revenue. The seller would like to see its name or identity expanded (brand *footprint*) into new geographic areas. Recognizing that placing dedicated company employees in every potential sales territory is not always cost effective, the seller realizes that the dealers may serve as a means of covering sales regions less expensively.

Dealers also consume corporate inventory (filling the pipeline) when they purchase for local inventory. Sellers may wish to deny territorial coverage or sales success to a competitor's product or service by successfully engaging the best available dealer in each market as their representative. A nationwide association of committed



A common need shared by dealers is belonging to a group that can provide networking opportunities for information exchange, awareness of industry trends and a brief day or two away from the rigors of business.

dealers also offers the means of providing local, dedicated service coverage to national or chain accounts with outlets in every market.

There are economies of scale, which reduce the unit cost of service delivery in monitoring services, financial services and administrative costs, such as billing. When the selection and nurturing of the dealer is positive, the net increase in sales revenue, quality of delivered services, geographic coverage and brand identity awareness far outweigh the additional costs of development and administration.

For a supplier to grow its business, its sales channels and links to the customer have to be as strong as its own businesses. Its dealers have to be as professional, financially strong and capable of providing quality service as its corporate personnel. Without a strong link that is financially viable, a supplier's business goals could be in jeopardy.

Suppliers realized dealers had the relationships with the customer, were good at the technical aspects of security services, were respected in the communities they served and had good ideas for growth. What the dealer often lacked were the finances, time or staff able to implement the supplier's plans and ideas.

Dealers Can Enjoy Greater Assortment of Resources

From the dealer perspective, we must realize that virtually every one of them is very small and has limited resources in comparison to the seller. Generally, the dealer has limited access to capital to help fund additional expansion and growth. In addition, there is a need for training in every aspect of its business — from sales, financial, technical skills, administrative support, marketing expertise, new products — and the instant credibility of brand-name recognition.

Due to limited resources, the dealer cannot afford to make a wrong decision. However, the dealer rarely has the knowledge or expertise to fairly evaluate the products or services being offered by the seller. There may be ads in trade publications, trade show meetings, or even office calls by representatives of the seller, all imploring the dealer to sign on and join the team.

However, the most critical resource that the dealer finds in short supply is time. Time to evaluate the options. Time to consider the investment in dollars or reputation necessary to make a relationship productive. Time to spend in planning the growth and future of the company, with or without the seller's product. In the absence



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of a clear business plan, the dealer is grasping at straws and acting upon emotion, not making a rational business decision.

50% of Dealers Are Part of a Vendor Program

The independent entrepreneurial dealer, which has been the origin and lifeblood of the security industry for more than 50 years, still remains strong through partnerships with program providers. While some prognosticators predicted there would be less than 5,000 dealers by now, there are still between 12,000

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and 15,000 security installing companies. While the connected home and entertainment market is a newer industry, the same independent dealer business model applies.

If you have been in the industry for more than 10 years, you know that the barriers to entry today are greater. The end user is more informed and expects greater professionalism, while standardized local and state licensing are putting reputations more at risk than ever. Dealer and financing programs can be key to a solid and profitable future.

Such programs are thriving. Most dealers participating in current programs are thriving as well. This is particularly true where the dealer has taken the time to fit the program to its real needs as a means of reaching objectives sooner and with greater support. More than half the independent dealers currently in the

security market are participants in some form of dealer program.

The question for those dealers already involved is whether they are consistently getting the value from the relationship that caused them to affiliate in the first place. Attrition from these programs identified is approximately 6 percent, on average, which is less than the accepted rate of attrition by dealer accounts.

What Is the Dealer-Seller Relationship?

The basic contractual relationship between seller and dealer is an important one. The previous dealer program review spoke of *franchise, authorized dealer* and *dealer* as the three basic relationships. This year, we asked the sellers if they provided an *open, limited* or *exclusive relationship*, and what the quantification of these relationships indicated during a period of time.

An exclusive relationship is similar to a franchise in terms of the mutual expectations. The exclusivity may be territorial or to a specific market segment. No other dealers will be selling the product in the same area or segment. But, as the dealer, your commitment to performance is usually greater and the expectations for sales results and customer service are more structured. The dealer may be expected to pay a fee for the privilege of exclusivity.

In a limited relationship, the seller is more selective as to geographical representation, while seeking to maximize penetration of systems or contracts placed with consumers. As long as the dealer meets selected minimal performance criteria, the seller may choose to treat the placement as restrictive, but a slip in performance opens the door for another dealer, or dealers, to be placed in the market. Not every dealer may qualify due to size, experience, technical skills or quality of operation.

In an open relationship, the ob-

servations might be, “If they can fog a mirror, they can be a dealer!” There are no significant restrictions and there may be no rewards for exceptional performance. Both the seller and the dealer have choices to make as they structure the program or consider affiliation.

Key Questions: *To what degree is time of experience a factor in the decision to affiliate? Should the amount of turnover or attrition be a consideration? If the seller was unwilling to provide turnover information for an article, will they answer a direct question from a dealer applicant? Is there any consistent pattern to the causes of affiliation failure? At what point does the seller reveal to the dealer what the exact requirements are to become and remain a dealer?*

The dealer should be prepared to offer a true perspective of current business levels. Exaggeration or falsification will not lead to a win-win relationship. Full disclosure and clear enforcement of required performance make for a successful relationship.

Support, Training Are Usually Necessary

The need for technical support is directly proportional to the technical complexity of the products being offered. Where the manufacturer, distributor or monitoring center expects the dealer to install, service or interface with the central station in a technically advanced manner, support and training are necessary.

In offering financial services, the technical requirement is limited to consistent installation of a qualified product such that service requirements are minimized during the duration of the contract term. The dealer needs to evaluate the need for technical support relative to prior knowledge and experience with the type of product offered.

In discussions with representatives of several selling companies and reviewing the submitted responses, there seems to be a signifi-



Affiliations with dealer programs, such as Protection One's Master Dealer program, help companies like Luxor Security Inc. of Rochester, N.Y., take advantage of being associated with a nationally recognized brand name.

cant expectation that the dealer will need minimum training. The dealer may have experience with a closely related product with similar characteristics or the dealer's technical staff may have considerable industry experience that makes training a rudimentary process.

From the dealer viewpoint, the availability of training on current, as well as new products, should be considered a necessity. The difference between profit and loss is often the amount of time spent installing and the number of times return visits are required to get a system in satisfactory operation. Warranty service calls are expensive to both the seller and dealer. Future satisfied customer referrals are directly related to the customer's service experience.

If training can only be provided through traveling to the seller's factory location, the dealer needs to factor in the cost of travel and lost

labor time. The dealer should inspect training manuals and videos to determine how the technicians on staff may assimilate the materials provided. Perhaps the dealer must hire new technicians to meet the necessary required skills in installation and ongoing service.

Key Questions: *Are there requirements for maintaining systems at a specific degree of customer acceptance to retain the dealership? Must the dealer allocate time on an annual basis for additional training or certification? Does the seller provide for onsite training at the dealer location? Are the manuals, videos or online training elements easily understood by everyone at the dealer location with a need to be involved? Is there additional inventory of components required to support the product line? Will there be a factory-supported technical hotline for additional support and, if so, on what schedule of availability?*

These are all questions to be answered in selecting a program vendor. From the seller perspective, it is essential that the trained dealer be able to totally support the installed systems and components with a minimum of factory callback. The seller is also obligated to the end user, who buys the installed product or system, to see that it is fully supported.

Where the product is a service, either financial or monitoring, the requirements are slightly different.

Key Questions: *Does the seller require verification of installation to certain standards? Will there be a penalty for excessive signals or frequent troubles from a poorly installed system? Does the dealer receive assistance in filling out and submitting all appropriate forms and documentation, or is training required to meet expectations?*

The seller's program must be totally clear to avoid subsequent customer callbacks to either verify documentation or correct service related issues.

Sales and Marketing Know-How Is Vital

Sellers cannot expect dealers to fully know or appreciate the features, advantages and benefits of their product line and how to sell against competition; they must provide training. The dealer is expecting tangible evidence that the program affiliation will enable it to grow faster and more profitably, and secure competitive advantages.

Key Questions: *Exactly what support materials are available and how are they most effectively used in a sales presentation? Does the seller really direct Web page or telemarketing leads to the dealer? Are those leads prequalified or merely an expression of interest? Does the seller's national identity direct the installation and service of national accounts into the local dealer for delivery? Will the dealer make a reasonable profit from these activities? Is there a fee that must be paid to the seller on fulfillment of an installed sale? From the seller's interest, will*

the dealer follow through on those leads in a timely manner or let them age before getting around to following up?

If the seller's brand identity is really strong and already nationwide, the dealer achieves instant credibility and customer awareness. The dealer may ride on the coattails of an extensive advertising program already in progress. The seller may significantly assist securing additional sales to the dealer through this type of relationship.

The seller's representatives have the responsibility to visit the dealer location and review progress of programs, utilization of materials, assess training needs and even make assisted sales calls to impart technique. They may also enforce any requirements of a contractual nature regarding allowed or prohibited usage of the seller's identity, such as brand logos or copyright materials.

The dealer needs to know whether the training is to be done locally or at a remote site requiring travel expense. Since it is the exception for small dealers to have an existing business or marketing plan, the seller may benefit by assisting in the preparation of such a plan so that the dealer becomes more effective.

Key Questions: *Under what identity will the joint venture go forward in the new relationship? Is the dealer willing to incorporate the seller's requirements, and is the seller willing to share the fruits of their marketing efforts?*

Contract Help Among Administrative Offerings

Administrative or *backroom* activities have caused many a business and relationship to fail. The contracts that bind the dealer to the seller, and vice versa, should be read and discussed to the point of complete understanding. The availability of an end user contract makes the sales action more straightforward and consistent.

Generally speaking, the larger seller has more knowledge and experi-

ence in the development of contracts that reduce or eliminate later liability issues and are most enforceable when nonpayment becomes an issue. Many small businesses have a difficult time finding an insurance

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carrier that is experienced in the specific industry. So, whether through guidance or actual provision, the seller can offer assistance.

The billing routine is a repetitive task that can go astray easily. A dealer that only bills 11 times in a 12-month period leaves revenue and profit in limbo. Assistance in performing this routine task may relieve the dealer of additional risk in payment of vendor accounts and improve cash flow almost immediately. This function is particularly important to the financial or monitoring service providers as it is one way to ensure timely payment of their billing to the dealer for services.

A second opportunity in the administrative area is the potential for preferred pricing on a variety of products and supporting services. There is both strength and economy of scale in numbers, so this area can directly affect bottom-line profitability if the dealer makes use of the connection.

For the seller, any support that in-

creases the dealer's ability to sell systems and place services is beneficial. There may be assistance in hiring and developing internal procedures that will also strengthen the dealer's business. But, most importantly to both parties, in this portion of the relationship, all of the documentation and communication is focused. Where there is a misunderstanding on contractual terms or operational procedures, it is the personnel in this function that must resolve it.

Program Association Boosts Credit, Financing

The single most significant change to the security industry in the past 10 years has been the advent of financing of the dealer's business operation through the recurring purchase of the customer contracts as sold. This has opened up the high-volume sales enterprise dealer's opportunities dramatically. Or, depending on your viewpoint, it has led to the erosion of system pricing since somebody is "giving away" security.

Nobody is giving security systems away, but many entities have finally realized the power of the recurring revenue cycle of a long-term contract and incorporated the equipment purchase into the agreement. As a result, security dealers have had to decide exactly what business they're in. When the decision is sales and service to a growing user population, it becomes necessary to secure a reliable line of credit at the bank or establish a business relationship with one of the several purely finance companies now serving the industry.

Seeing this opportunity, many monitoring service companies and manufacturers have added a finance plan or provide access to a finance plan to share with their dealers and secure the additional monitored systems being sold.

Since no one is going to give money away, the dealer must be prepared for a full financial disclo-



Increasingly, providers of dealer programs, such as Brink's Home Security in Irving, Texas, are setting up interfaces on their Web sites to more easily assist members, as well as providing links to those participating dealers' sites.

sure. The customers being sold will also be scrutinized for their financial ability to make the payments for the life of the contract. Guess what? More forms, time to review and approve the submittals and finally access to funds with certain restrictions. The dealer must do the homework or it may find itself in a binding relationship that appears to be stealing away its business.

Key Questions: *What are your financial needs? How many systems per month do you plan to sell? What is your market area of preference? Does the equipment you choose support the demands of speedy installation with long-term reliability? Can you keep some of the systems sold, have some returned after the contract is fulfilled, or must all systems be sold to the financing company?*

Ask and consider before you affiliate. Then, select the vendor and the plan that best meets your goals. The worst time to select a finance company is when you're in deep financial trouble, as your options become limited and you lose all negotiating power.

Affiliation Specifics Must Be Spelled Out

Both the seller and the dealer have expectations from their business relationship.

Key Questions: *Will there be special fees required to become an affiliate? Will there be ongoing or irregular*

examinations of installed systems and components? What are the installation and service quality demands? Does the sales support, technical support and financial assistance enable the dealer to deliver sold systems meeting the demands of the seller? What product or service must the dealer purchase and at what price? Will there be advance notice of a failure to perform so that corrective actions can be taken? Who is going to be the specific contact person to deal with the inevitable problems and communication needs that will occur?

Face-to-Face Meetings Foster Familiarity

In the world of the small independent service dealer, there are no friends. Paranoia dictates that everyone else is a competitor trying to steal "the business." In fact, the most common need that the dealer has is belonging to a group that can provide networking opportunities for information exchange, awareness of industry trends, a brief day or two away from the rigors of business with industry associates and the chance to develop team spirit.

Newsletters, Web pages, E-mails, faxes and telephone calls are all well and good, but they can't replace a face-to-face meeting. It is amazing to see the personal and business relationships that can be developed during a two- to three-day meeting with other dealers selling the same products or services. Whether the meetings are regional or national is not material. It's the structure of information presented and the ability to discuss problems and potential solutions with others that is the salvation of the dealer.

Further, the seller gets to extend to the dealer contacts deeper inside its organization and develop a degree of trust and knowledge that only comes from exposure. When a

seller has met a dealer directly, the credibility of concerns and interests become much easier to establish.

Yes, quotas can be a difficult target to meet, particularly without adequate support and materials necessary to develop strong sales. So, if quotas are discussed, it is imperative for the seller to explain how it will assist the dealer in meeting them.

For the dealer, there must be a comfort level that the assistance will be consistent, timely and beneficial. Consider that this structure and discipline must become an element in the dealer's business plan, which will usually make the dealer more successful and profitable. Meeting objectives requires first establishing them, and then agreeing that they can be met with appropriate effort.

Frankness Opens Door to Program Success

There are several consistent themes in the dealer-marketing environment. Certainly, *independent* and *entrepreneurial* can be seen to apply.

Lack of long-term planning is common, paranoia about others in the market is a daily event and lack of adequate capital is perpetual for the small business. To break out of this paradigm, the dealer must seek additional strength and resources from carefully evaluated and chosen business partners, such as the sellers that participated in this survey.

There must be open disclosure and trust, which may only develop over time as it is earned. Sellers are seeking performance to meet their goals, but, as an old Chinese proverb says, "The longest journey begins with the first step!" Unless you are prepared to take that step, you will never reach your destination. ■

For more information on this article or the Dealer Program Survey, contact Sandra Jones at (440) 285-4444, or Craig Leiser at (888) CLEISER.